

Message Text

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PAGE 01 STATE 254928

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TO AMEMBASSY PRAGUE

S E C R E T STATE 254928

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E.O. 11652:GDS

TAGS: PFOR, EFIN, CZ

SUBJECT: CLAIMS/GOLD

REF: PRAGUE 2812

1. DAVID SCOTT MET OCTOBER 12 WITH DEPUTY SECRETARY AND
DEPASSTSEC (EUR) ARMITAGE TO REPORT ON MEETING WITH
CZECHOSLOVAK FOREIGN MINISTER CHNOUPEK AND CZECHOSLOVAK
AMBASSADOR JOHANES AT SCOTT'S SUMMER RESIDENCE IN FLORIDA
OCTOBER 9. MEETING HAD BEEN ARRANGED AT CZECHOSLOVAK
INITIATIVE.

2. CHNOUPEK EXPRESSED SENSE OF FRUSTRATION THAT HE HAD NOT
BEEN ABLE TO MOVE FORWARD IN NORMALIZATION OF RELATIONS
WITH US AS HE HAD WITH FRG AND AUSTRIA, BOTH OF WHOSE
PROBLEMS HE HAD EARLIER FELT WERE MORE DIFFICULT THAN
THOSE (CLAIMS/GOLD) WITH US. HE ALSO COMPLAINED THAT
US HAD NOT INFORMED HIM OFFICIALLY THAT CONGRESSIONAL
ACTION HAD NEGATED INITIALLED CLAIMS AGREEMENT. SCOTT
WENT OVER WITH CHNOUPEK HISTORY OF SCOTT'S INVOLVEMENT

SECRET

SECRET

PAGE 02 STATE 254928

IN CLAIMS/GOLD ISSUE, INCLUDING HIS MEETINGS WITH SENATORS

SCOTT AND GRAVEL AND WASHINGTON LAWYER MERRIGAN AND SUBSEQUENT WORKING OUT OF PROPOSAL WHICH HAD BEEN PASSED TO SPACIL AS WAY OUT OF CURRENT IMPASSE. SCOTT HAD

EMPHASIZED THAT SENATOR LONG WISHED STRONGLY TO SIGNAL "REST OF WORLD, PARTICULARLY CUBA" THAT IT COULD NOT GET AWAY WITH NATIONALIZING US-OWNED PROPERTY WITH LESS THAN FULL COMPENSATION. SCOTT TOLD CHNOUPEK SENATOR LONG HAD SAID "HELL WOULD FREEZE OVER BEFORE CZECHOSLOVAKIA GOT THE GOLD BACK UNLESS THERE WAS AN EQUITABLE SOLUTION TO THE CLAIMS QUESTION."

3. SCOTT HAD EXPRESSED PUZZLEMENT THAT LONG-PROMISED RESPONSE FROM SPACIL HAD NOT BEEN RECEIVED. DISCUSSION DISCLOSED THAT SPACIL HAD REPORTEDLY WRITTEN LETTER SEPTEMBER 13 AND IT HAD BEEN "MAILED" SEPTEMBER 28 (THROUGH WHAT CHANNELS DID NOT EMERGE). CHNOUPEK SAID LETTER WOULD BE RECEIVED SOON AND STATED THAT IT WOULD SAY THAT SCOTT PROPOSAL WAS NOT ACCEPTABLE.

4. SCOTT FLATLY TOLD CHNOUPEK THAT SUCH RESPONSE KILLED PROPOSAL AS FAR AS HE WAS CONCERNED. HE REITERATED THIS IN SEVERAL CONTEXTS AND EACH TIME CHNOUPEK HAD ASKED SCOTT NOT TO SAY THAT. SCOTT PRESSED FOR REASONS FOR CZECHOSLOVAK POSITION TO NO AVAIL BEYOND ONE CHNOUPEK STATEMENT THAT "WE JUDGE THAT THE US IS NOW IN A PERIOD OF INACTIVITY BECAUSE OF ELECTIONS." CHNOUPEK ALSO REFERRED TO OCTOBER 28 CZECHOSLOVAK "ELECTIONS" IN ONE OF HIS STATEMENTS SAYING THAT IT WOULD BE MOST DIFFICULT FOR HIM TO GET US PROPOSAL ACCEPTED (PRESUMABLY BY POLITBURO). SCOTT TOLD HIM CZECHOSLOVAKS WERE FRITTERING AWAY THEIR OPPORTUNITY, THAT DOLLARS TEN MILLION SPREAD WAS NOT VERY SIGNIFICANT AGAINST POSSIBLE ECONOMIC GAINS WHICH COULD BE OBSERVED IN NEIGHBORING COUNTRIES. REPLYING TO SCOTT'S QUESTION AS TO WHAT HE SHOULD TELL LONG ET AL CHNOUPEK SAID CZECHOSLOVAK POSITION WAS IN LETTER AND SCOTT SHOULD CONVEY THAT TWO SIDES SHOULD STILL SEEK A SOLUTION.

5. DEPUTY SECRETARY SAID THAT WE SHOULD LET CZECHOSLOVAKS
SECRET

SECRET

PAGE 03 STATE 254928

STEW FOR WHILE AND ASKED THAT SCOTT KEEP HIM INFORMED OF LONG/GRAVEL REACTION WHEN SCOTT INFORMED THEM OF LETTER CONTENTS AND CONVERSATION WITH CHNOUPEK. HE SAID WE WOULD GIVE CZECHOSLOVAKS NOTE REGARDING EFFECT OF CONGRESSIONAL ACTION ON INITIALLED AGREEMENT BUT THAT IT SHOULD CONTAIN NO HINT THAT WE WERE "COMING TO CZECHOSLOVAKS" ON QUESTION. WE WOULD BE STANDING FIRM ON PROPOSAL AS PASSED TO CZECHOSLOVAKS. KISSINGER

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